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SUBJECT: NEW PM HSIEH CHANG-TING: THE VIEW FROM KAOHSIUNG

Classified By: AIT Director Douglas H. Paal. Reason: 1.4 (B,D)

Summary

1. (C) Begin Summary. The January 25 appointment of Kaohsiung Mayor Frank Hsieh (Chang-ting) as Taiwan's new Premier was long-rumored, but still surprised some in the South who saw Hsieh as one of President Chen's chief competitors. The move was a natural step for Hsieh, however, who had served previously as Democratic Progressive Party (DPP) Chairman, legislator and Taipei City Councilor, was the DPP's first vice presidential candidate in 1996, and is positioning himself to run for president in 2008. Local analysts see Chen's selection of Hsieh for the premiership as intended to balance internal DPP factions, especially to offset the rising strength of the "New Tide" faction, as well as to capitalize on Hsieh's moderate views and pragmatic style as the government faces a new legislature next month dominated by the opposition.

2. (C) More moderate and pragmatic than President Chen, Hsieh is nevertheless a strong advocate of core DPP tenets. He supports maintenance of Taiwan's "de facto independence," but opposes constitutional reform as a way to codify Taiwan's status. He discounts threats from the PRC as mostly rhetoric, but opposes DPP extremists' (and Chen's) efforts to "push the envelope" with Beijing. Hsieh also has been an advocate of expanded cross-Straits economic ties. Hsieh has built a solid record of achievement in Kaohsiung and demonstrated a style that stressed coalition-building and compromise, often working quietly through intermediaries to build support for his policies from local powerbrokers, even ones affiliated with the opposition or local organized crime. It remains to be seen, however, whether Hsieh's talents as a manager and political coalition-builder will help the central government develop a better working relationship with the opposition-controlled legislature. Hsieh's success with the legislature and his ability to influence policy will depend heavily on how well he works with his long-time colleague and rival, President Chen. And, ultimately, will determine whether he emerges as the DPP's front-runner to succeed Chen in 2008. End Summary.

Frank Hsieh Appointed Premier

3. (C) While Kaohsiung Mayor Frank Hsieh was long-considered a possible candidate to succeed Yu Shyi-kun as Premier, and the media had been rife with rumors that his appointment was imminent, many local analysts were surprised with Chen's decision to choose Hsieh. Hsieh, a long-time DPP figure, had been seen as more rival than colleague of President Chen's for many years. While the two launched their political careers together during the 1979 "Formosa Incident" trials, in which both served as defense counsel, they subsequently vied with each other for leadership of the DPP. Both National Taiwan University (NTU) Law School graduates, who in different years ranked number one on Taiwan's bar exam, Hsieh and Chen followed parallel political paths, rising through the ranks of local city council positions to become legislators in the 1980's and early 1990's. In 1994, the two competed for the DPP Taipei Mayoral nomination, with Chen winning the nomination as well as the election, which in turn served as his springboard to the Presidency. Meanwhile, Hsieh joined his former law professor, Peng Ming-min, on the DPP's first vice-presidential/presidential (respectively) ticket in 1996, losing by a large margin to the KMT's Lee Teng-hui/Lien Chan ticket.

4. (C) Hsieh's career received a boost in 1997, however, from his high-profile intervention to resolve a tense hostage situation in which a criminal held the South African military attache and his family hostage. Hsieh moved to Kaohsiung in 1998 and ran successfully for Mayor of Taiwan's second largest city, winning by a narrow margin. He was re-elected in 2002, and will be resigning with just over half his second four-year-term completed. Under Taiwan election laws, the Premier will appoint an acting Mayor to fill out the remainder of Hsieh's term.

5. (C) Hsieh is well-known to AIT and was a 1982 AIT International Visitor (IV) program participant. During his

time as Mayor, Hsieh has visited the U.S. frequently, both for business and to visit his son who is studying at California State University at Northridge, just outside Los Angeles (Hsieh's only other child, a daughter married to a doctor, lives in Taiwan). In AIT's contacts with Hsieh, he has demonstrated a strongly positive view of the U.S. and has often acknowledged to AIT how important he believes U.S. support is for maintaining Taiwan's security. He speaks a little English, with slightly better listening comprehension and reading (perhaps a 1 / 2 on the FSI scale), but has been quietly working with an American English teacher over the past year and a half in an attempt to improve. Hsieh's ties to Japan are stronger. He completed a Master's Degree in Law at Kyoto University in the mid-1970's, speaks fairly good Japanese and visits Japan almost as often as the U.S.

More Moderate and Pragmatic than President Chen

16. (C) While Hsieh is a strong subscriber to core DPP tenets, he is more pragmatic and moderate than President Chen on most issues. Hsieh told AIT that he supports maintenance of Taiwan's "de facto independence" but opposes Chen's calls for constitutional revision and efforts to codify Taiwan's status into law, because he believes the risks outweigh the benefits. Hsieh is proud of his role while DPP Chairman in 2000-01 in revising the DPP charter to drop language calling for a declaration of Taiwan independence in favor of more "moderate" language stating that no declaration is necessary since Taiwan, under the title "Republic of China" is already an independent country. Like many in the Pan-Green camp, Hsieh often discounts PRC threats as "mostly rhetoric," but he opposes efforts by DPP extremists (and by Chen) to "push the envelope" with Beijing. Hsieh has advocated expanded cross-strait economic ties, even pushing to lead a delegation to the Mainland while he was Kaohsiung Mayor, before President Chen quashed the initiative.

17. (C) On Taiwan's political scene, Hsieh has displayed moderation and pragmatism in his positions and tactics. With a less charismatic and more intellectual style than President Chen, Hsieh has proven better at political deal making than at campaigning. While he is praised by many as intellectually sharp with a cutting wit, he has suffered sometimes in the traditional politics of Southern Taiwan from criticism that he comes across as "too lawyerly," overly-critical and sometimes arrogant. At the same time, Hsieh has proven adept at winning elections through careful and meticulous planning and good strategy. As DPP Chairman in 2001, he led the DPP to a surprisingly strong showing in the LY election. In the lead-up to the March 2004 Presidential election, Hsieh was widely criticized in the "green" media for running a passive campaign for President Chen in Southern Taiwan, with some questioning his loyalty to the President's re-election cause. Hsieh argued that his lower-key strategy was based on a careful analysis of the electorate and polling. In the end, Hsieh was proven right as Southern Taiwan, including Kaohsiung, produced much higher than expected results for the President. Similarly, the results in the December 2004 LY election in Kaohsiung, with the DPP campaign led by Hsieh, achieved DPP targets, unlike most other areas of the island. Many local analysts cite Hsieh's success in leading these DPP campaigns as a major reason Chen chose to elevate Hsieh to Premier.

Why Hsieh?

18. (C) It is Hsieh's record of managing Kaohsiung City, however, that other observers say led Chen to select him. When he won a surprise victory in the 1998 Kaohsiung Mayoral race, Hsieh had no management experience, had no seasoned political staff to assist in running the city, and faced a hostile KMT-dominated City Council. While Hsieh initially stumbled and had a number of difficult conflicts with the City Council, he eventually developed a solid City Administration and worked adeptly to peel off key City Councilors by working through local well-connected intermediaries. While leaving long-time city department chiefs in place, he placed reliable, young supporters in key deputy positions. These gave Hsieh independent eyes on the internal workings of the City government and allowed him to begin development of a core of qualified administrators. After several years, Hsieh's approach paid off and he has drawn high marks for his success in cleaning up Kaohsiung and developing its infrastructure. Ironically, Hsieh's very success in cutting backroom political deals almost cost him his career when a major vote-buying scandal hit the Kaohsiung City Council in 2003. Hsieh emerged clean, but not before sacrificing his closest political advisor who, while serving as the City Civil Affairs Director, was proven to have supervised handoffs of bags of cash to City Councilors. While Hsieh has earned high praise from many for his ability to cut deals to benefit the city, others have condemned Hsieh for his willingness to work with the opposition and corrupt local powerbrokers.

19. (C) Some local analysts also believe the choice of Hsieh for Premier helps Chen offset what many in the DPP have complained is the rising power of the DPP's "New Tide" faction. Unlike President Chen's "Justice Alliance" faction or Frank Hsieh's "Welfare Nation" faction, the New Tide faction is a tightly-organized internal DPP coalition that holds regular meetings, tightly controls membership, requires membership dues and maintains strong discipline. National Security Council (NSC) Secretary General Chiou I-jen and Taiwan Stock Exchange Chairman Wu Nai-jen are leading New Tide figures, but reportedly both have vowed never to seek elected positions. Instead, the faction made public -- prematurely -- its support for soon-to-be DPP Party Chairman Su Tseng-chang to prepare to run as the DPP's 2008 Presidential candidate. While members of the faction, especially Chiou I-jen, were seen as key to President Chen's March 2004 re-election effort, many in the DPP complained that the New Tide was becoming a "secret organization" in the DPP that should be taken down a few notches. In Kaohsiung, local DPP party officials went so far as to describe to AIT/K the New Tide faction as the "communist party" of the DPP, citing its almost Leninist-style party organization and the "socialist-leanings" of some of its members. Local political pundits speculate that Chen may feel Frank Hsieh is the only DPP figure of sufficient stature that Chen can use to help offset the New Tide's rise.

110. (C) While the "threat" posed by the New Tide faction may be overstated by some, most local analysts as well as DPP party contacts do believe President Chen is seeking to create a balance between the two most likely contenders for the 2008 DPP nomination for President -- Frank Hsieh and Su Tseng-chang. By supporting Su for DPP Party Chairman and

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Hsieh for Premier, political analyst Liao Da-chi told AIT/K, Chen has set them up to compete with one another and provided each with a test. Hsieh will be tested by his ability to develop a positive working relationship with the opposition-controlled LY and how successful he is in getting President Chen's legislative agenda passed and implemented. Su will be tested by his ability to achieve a strong victory for the DPP in the year-end County Magistrate and Mayor election.

Hsieh's Vulnerabilities

111. (C) Hsieh has built a strong record as local and central level legislator, party chairman, political campaigner and city mayor. He has, however, never served in a central government position and, as LY Speaker Wang Jyn-ping argued to AIT/K Branch Chief in a recent encounter, Hsieh's local experience may not translate to the "national" scene. Hsieh, of course, also will face uncertainty in his relations with President Chen, which have traditionally shifted between comradely and competitive. In a December 1 meeting with AIT, Hsieh himself noted that he had always worked "side-by-side with Chen" and had never actually worked as a subordinate to Chen. Yet, as Premier, Hsieh will be pushed to implement President Chen's policy.

112. (C) Hsieh also has some political vulnerabilities that could hurt him in the competition to succeed Chen in 2008. Hsieh has been hit in all of his political campaigns with assertion of his ties to various scandals. In both the 1998 and 2002 mayoral campaigns, Hsieh was accused of profiting from decisions or interventions he had made with respect to various land development projects, including the Zanadau project in Kaohsiung County. His opponents have also claimed he has taken illegal campaign donations from Buddhist temples and other organizations. Thus far, Hsieh has managed to fend off the charges without losing too many votes, but the lack of complete proof vindicating him in each case leaves him vulnerable to them coming back.

113. (C) More problematic is Hsieh's involvement with a "religion," or "cult" led by Sung Chi-li, who claims supernatural powers. Sung was unsuccessfully prosecuted for defrauding his followers of millions of U.S. dollars. While Hsieh's wife openly supports Sung and even helped edit his writings, Hsieh has tried to maintain a low profile, but refuses to retract earlier statements that he too believed and followed Sung. In Hsieh's most recent political campaigns he has been quick to cite "the privacy and freedom of religion" in response to questions about his views on Sung, leaving most with the impression that he remains a follower of the group.

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